

Date: August 20, 2013

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Reginald J. Johnson, Director
Department of Community Development
Subject: Funding for Permanent Housing for Persons with Special Needs

Executive Summary

In the updated multi-year funding strategy for housing and community development, up to \$1,142,172.00 is potentially available as match/gap financing for the development for permanent housing for persons with special needs. This figure includes the current dedicated funding fund balance. To provide potential applicants with sufficient time to perform due diligence and obtain required site control, the Department proposes to issue application guidelines and instructions subject to Council's approval of the recommended threshold requirements and evaluation criteria.

Recommendation

The Department of Community Development recommends that City Council approve advertising the availability of the dedicated funding source fund balance and approve the application threshold requirements and evaluation criteria as set forth in the agenda memo.

Background

A major objective of the dedicated funding for affordable housing was to ensure the availability of local funding to continue with the development of permanent housing for formerly homeless persons with disabilities. For FY 14-15, a total of \$250,000.00 is budgeted in addition to \$288,000.00 in funding previously awarded to, but not utilized by Housing for New Hope, and a \$604,172.00 fund balance. In total, up to \$1,142,172.00 is potentially available for permanent supportive housing.

As a part of Council's approval of the dedicated funding, the Department set forth proposed principles governing the award of those funds. Subsequently, those principles were incorporated into the Department's application guidelines and instructions.

Issues and Analysis

Just as the U.S. Department of Housing and Urban Development (HUD) encourages the use of its funds in a manner that maximizes the leveraging of other funds, the principles recommended by the Department sought to do the same. In previous application guidelines and instructions governing the award of funds for the development of permanent supportive housing, a minimum dollar for dollar match was a threshold requirement, with higher degrees of leverage earning higher scores. While the leveraging of other funds is still a desired objective, maintaining that threshold requirement in FY 14-15 would very likely result in no applications for new projects being received.

As noted in the update report on the Piedmont Rentals project, NCHFA has indicated that it will not look favorably on new applications from Durham until the CASA and DVI projects are completed and occupied. What that means is that the spring of 2015 is likely the earliest date that a competitive application could be submitted for NCHFA's maximum award of \$500,000.00.

Other sources of leveraged funds are also very limited. Both the CASA and DVI projects were awarded Continuum of Care (CoC) monies but with continuing commitments to CoC "renewals", essentially no funds are available for new projects.

Several projects in Durham have received funding from the Federal Home Loan Bank (FHLB) and as noted in a separate agenda item, DCLT is submitting an application for a part of the funding required for the Piedmont Rentals project. FHLB funding is very competitive and is generally capped at \$500,000.00 per project.

To expedite the creation of needed permanent housing for persons with special needs, the Department recommends eliminating a dollar for dollar match as a threshold requirement for FY 14-15 funding. Instead, leveraging of other resources would be a scoring criterion.

Permanent Housing for Persons with Special Needs

Threshold Requirements

1. Evidence of site control, i.e., deed, contract of sale, option to purchase, lease with option to purchase or other form acceptable to the Department of Community Development.
2. Evidence of Zoning, i.e., letter from City/County Planning indicating that the subject property is properly zoned for the proposed use. If a variance, special use permit or exception is required, a letter from City/County Planning describing the required approval process and providing a detailed schedule for obtaining approval must be submitted.

Scoring Criteria (Maximum 100 points)

1. Applicant's demonstrated capacity for completing the project and managing rental projects serving very low income persons with special needs (maximum of 40 points).
 - a. Staff qualifications and experience in completing similar rental projects on time and within budget (0 to 20 points).
 - b. Overall capacity in successfully managing comparable rental projects as evidenced by occupancy levels, maintenance and repair of existing rental units, compliance with federal requirements and record keeping and reporting (0 to 20 points).
2. Project Leveraging (maximum of 20 points).
 - a. No funds leveraged (0 points).
 - b. Leverage is at least 0.1:1, but less than 0.25:1 (5 points).
 - c. Leverage is at least 0.25:1, but less than 0.75:1 (10 points).
 - d. Leverage is at least 0.75:1, but less than 1:1 (15 points).
 - e. Leverage is 1:1 or greater (20 points).

3. Project Design (maximum of 30 points)
 - a. Extent to which project cost on a per unit or per square foot basis is reasonable and competitive compared to similar projects funded by the City (0 to 5 points).
 - b. Thoroughness of detailed cost estimates, including any required site preparation and infrastructure, prepared by an experienced professional (0 to 5 points).
 - c. Extent to which developer fees and soft costs are reasonable and competitive compared to similar projects funded by the City (0 to 5 points).
 - d. The use or incorporation of aesthetically pleasing architectural design, quality and durable building materials, energy efficiency, and green elements (0 to 5 points).
 - e. Compatibility with adjacent land uses and proximity to commercial facilities and transportation (0 to 5 points).
 - f. Project is not located within a census block group having a high concentration of subsidized housing or poverty (5 points).
4. Project Sustainability (maximum of 10 points)
 - a. Extent to which a long term sustainability plan is outlined which adequately provides for maintenance, repairs and replacement reserves (0 to 10 points).

Alternatives

The current requirement for a dollar for dollar match could be retained while recognizing that it is unlikely that a viable application would be received.

Council could also elect to retain some portion of the fund balance.

Financial Impact

The \$1,142,172.00 projected to be available for the development of permanent housing for persons with special needs includes \$250,000.00 in FY 14-15 funding which is subject to approval of the FY 14-15 budget by City Council.

SDBE Summary

Not applicable